

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

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In re: : Chapter 11
: Case No. 25-80002 (SGJ)
PROSPECT MEDICAL HOLDINGS, INC., :
et al.,¹ :
Debtors. : (Jointly Administered)
:
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**OBJECTION TO DEBTORS' EMERGENCY MOTION FOR ENTRY OF AN ORDER
(I) APPROVING AND AUTHORIZING (A) THE ASSET PURCHASE AGREEMENT
AND THE PRIVATE SALE OF THE PENNSYLVANIA HOSPITALS FREE AND
CLEAR OF INTERESTS, (B) THE ASSUMPTION AND ASSIGNMENT OF CERTAIN
EXECUTORY CONTRACTS AND UNEXPIRED LEASES, (C) THE SETTLEMENT BY
AND AMONG THE DEBTORS, THE PENNSYLVANIA ATTORNEY GENERAL,
SAMUEL LEE, AND DAVID TOPPER, PURSUANT TO BANKRUPTCY RULE 9019;
AND (II) GRANTING RELATED RELIEF (Dkt. 332)**

The Ad Hoc Committee of Medical Malpractice Claimants (“AHC”) objects to *Debtors’ Emergency Motion For Entry Of An Order (I) Approving And Authorizing (A) The Asset Purchase Agreement And The Private Sale Of The Pennsylvania Hospitals Free And Clear Of Interests, (B) The Assumption And Assignment Of Certain Executory Contracts And Unexpired Leases, (C) The Settlement By And Among The Debtors, The Pennsylvania Attorney General, Samuel Lee, And David Topper, Pursuant To Bankruptcy Rule 9019; And (II) Granting Related Relief* (Dkt. 332) (“**Sale Motion**”), on the following grounds.

¹ A complete list of each of the Debtors in these chapter 11 cases may be obtained on the website of the Debtors' proposed claims and noticing agent at <https://omniagentsolutions.com/Prospect>. The Debtors' mailing address is 3824 Hughes Ave., Culver City, CA 90232.

1. The AHC consists of medical malpractice and personal injury claimants in lawsuits against Debtors that are the subject of the Sale Motion. The current members of the AHC are claimants of counsel listed in the attached exhibit.

2. The Sale Motion, filed January 31 on an emergency basis and without including the actual proposed Asset Purchase Agreement, or even a summary of its terms, but seeking objections a week later, seeks to transfer:

all Assets (as defined in the APA) free and clear of all liens, claims, and encumbrances (collectively, the “Interests”), and (c) the procedures relating to the assumption by the Debtors and assignment to the Purchaser of certain executory contracts and unexpired leases (the “Executory Contracts”) free and clear of all Interests;...

Sale Motion at ¶ 8(i).

3. Further, the Sale Motion states that the Purchaser will not assume “liabilities that are not expressly assumed by Purchaser as set forth in the APA or pursuant to the Order.” Sale Motion at ¶ 45.

4. Without the actual proposed APA, and without a fair opportunity to review that proposed APA, creditors like the AHC have no way of discerning what “Assets” will be transferred “free of all claims” from the tortfeasor Debtors that the AHC members have sued, and what liabilities are not being transferred, potentially leaving the AHC with no effective ability to recover on their claims against the defendant Debtors or the remaining Debtors’ assets or insurance.

5. The Debtors to be sold presently have insurance coverage that covers at least in part, if not completely, damages from the various lawsuits brought by the AHC. This coverage must be preserved. Any sale of these Debtors’ assets should clearly provide that any and all insurance covering these AHC claims is not impaired by the sale in any way, directly or indirectly. The sale documents and Court order should expressly provide sufficient protections such that the

AHC claimants have a continuing ability to access such insurance coverage in connection with their pending medical malpractice and personal injury lawsuits, subject to the Bankruptcy Court's authority and the automatic stay, where applicable.

6. The AHC accordingly objects to the Sale Motion until the APA is revealed and the AHC has sufficient time to review its terms and conditions, and subject to the above described provisions in the sale agreement and proposed order so that the sale does not transfer out of the estates any insurance coverage of the Debtors that is applicable to the tort claims of the AHC members or otherwise impair the AHC members ability to collect on their tort claims.

7. The AHC respectfully suggests that the Court deny the Sale Motion and grant the AHC such other and further relief to which it may be entitled.

Dated: February 5, 2025

Respectfully submitted,

STUTZMAN, BROMBERG, ESSERMAN & PLIFKA, PC

/s/ Sander L. Esserman

Sander L. Esserman

State Bar No. 06671500

Peter C. D'Apice

State Bar No. 05377783

2323 Bryan Street, Ste. 2200

Dallas, TX 75201-2689

Telephone: (214) 969-4900

Facsimile: (214) 969-4999

Email: esserman@sbep-law.com

dapice@sbep-law.com

**COUNSEL FOR AD HOC COMMITTEE OF
MEDICAL MALPRACTICE CLAIMANTS**

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document was served by electronic mail via the Court's ECF system to all parties authorized to receive electronic notice in this case on February 5, 2025.

/s/ Peter C. D'Apice

EXHIBIT A

AD HOC COMMITTEE OF MEDICAL MALPRACTICE CLAIMANTS

Lenoard A. Sloane Eckell, Sparks, Levy, Auerbach, Monte, Sloane, Matthews, Auslander, P.C. 300 West State Street, Suite 300 Media, PA 19063 lsloane@eckellsparks.com	Rob Sachs Theresa Blanco Shrager Sachs & Blanco 15 West Highland Avenue, Suite 15A Philadelphia PA, 19118 RSachs@shragerlaw.com tblanco@shragerlaw.com
Joseph Z. Traub Raynes & Lawn 2400 Market Street, Suite 317 Philadelphia, PA 19103 jztraub@rayneslaw.com	Harry M. Roth Elizabeth M. Amesbury Cohen Placitella & Roth 2001 Market Street Suite 2900 Philadelphia, PA 19103 hroth@cprlaw.com eamesbury@cprlaw.com
Carolyn Hahn Len Haberman Haberman Law, P.C. 1800 JFK Blvd. Suite 1500-B Philadelphia, PA 19103 carolyn@haberman.law lenhaberman@icloud.com	Carolyn M. Chopko Daniel S. Weinstock Feldman Shepherd 1845 Walnut Street - 21st Floor Philadelphia, PA 19103 cchopko@feldmanshepherd.com dweinstock@feldmanshepherd.com
Derek R. Layser Friedman Schuman Layser, PC 275 Commerce Drive, Suite 210 Fort Washington, PA 19034 DLayouter@fsalaw.com	Michael Shaffer Rhonda H. Wilson Shaffer & Gaier, LLC 1628 JFK Blvd., Suite 400 Philadelphia, PA 19103 mshaffer@shaffergaier.com rhwilson@philly-attorney.com

Seth Wilson Morris Wilson Knapp Jacquette, P.C. Eight Tower Bridge 161 Washington St., Suite 900 Conshohocken, PA 19428 swilson@morriswilson.com	Jerry Baldino Tom Sachetta Sachetta & Baldino 308 East Second St Media, PA 19063 Jerry@sbattorney.com Tom@sbattorney.com
Alfred V. Altopiedi Alfred V. Altopiedi, P.C. 902 Old Marple Rd. Springfield, PA 19064 ava@pilawyer.com	Frank A. Rothermel Bernhard, Rothermel & Siegel, P.C. 1515 Market Street, Suite 1540 Philadelphia, PA 19102 FRothermel@BRSPC.com
Malcolm L. MacGregor McDonald & MacGregor, LLC 220 Penn Avenue, Suite 320 Scranton, PA 18503 mlm@mmlaw.com	